



Legislative Fiscal Bureau

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February 18, 2020

TO: Representative John Nygren
Room 308 East, State Capitol

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Estimated Manufacturing and Agriculture Tax Credit for Dairy Product Manufacturers

At your request, this memorandum provides the estimated 2019-20 fiscal effect of manufacturing and agriculture credits claimed by dairy product manufacturers.

The manufacturing and agriculture tax credit (MAC) may be claimed under the individual income and corporate income/franchise taxes, and the credit is generally equal to 7.5% of the claimant's eligible qualified production activities income derived from Wisconsin property that is assessed as manufacturing or agricultural under the state's general property tax. In 2019-20, total MAC claims are estimated to reduce state tax revenues by \$334.4 million, including \$322.0 million claimed by manufacturers.

Specifically, you asked for the estimated revenue reduction due to claims by Wisconsin dairy product manufacturers. Because most taxpayers do not identify their business type when claiming the MAC, the following allocation uses factors reported in the 2016 Annual Survey of Manufactures, U.S. Census Bureau. The Survey does not include data on business profits, which would be the preferred allocation method, so data on value of shipments and value added were used for the following allocation:

<u>Manufacturing Classification</u>	<u>Estimated Revenue Reduction (millions)</u>	<u>% of Manufacturing MAC Claims</u>
Dairy Product Manufacturing	\$30.9	9.6%
Total for All Manufacturers	\$322.0	100.0%

If you have any questions on this information, please let me know.

RO/ml